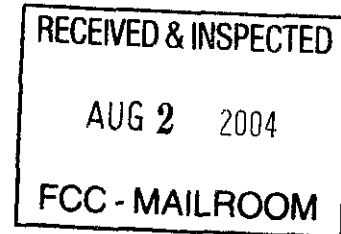


**McLeodUSA®**



July 30, 2004

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

RE: Report – CC Docket No. 96-128

Dear Ms. Dortch:

Please find enclosed an original and four copies of McLeodUSA Telecommunications Services, Inc.'s two reports that were electronically filed with the FCC today. Please place it on the record in the above referenced proceedings.

If you have any questions, please contact me at 319-790-6823.

Sincerely,

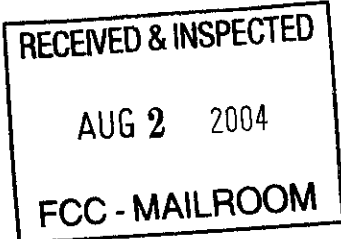
A handwritten signature in cursive script that reads "Robin R. McVeigh".

Robin R. McVeigh  
Paralegal

Encl.

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**McLeodUSA Telecommunications Services, Inc.  
Representation of Compliance with FCC Order Docket Number 96-128**

Management of McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") is responsible for establishing and maintaining the internal controls over McLeodUSA's payphone call tracking system necessary for compliance with 47 C.F.R. Section 64.1310 *et seq.*, as discussed in the Federal Communications Commission ("Commission" or "FCC") Report and Order released in CC Docket No. 96-128 on October 3, 2003.

McLeodUSA, in accordance with Sections 64.1320(c), (d) and (e) of the Commission's Rules, makes the following representation regarding its compliance with the Commission's Rules set forth in Section 64.1300 *et seq.* Management has used the criteria set forth in Section 64.1320(c) of the Commission's rules as a framework in order to evaluate the Company's compliance with the payphone compensation requirements. Based on this evaluation, we assert that as of July 1, 2004, the Company complies with the applicable requirements stated in 47 C.F.R. Section 64.1310 in all material respects as described below. McLeodUSA provides the following information regarding its compliance:

**Responsible Personnel and Dispute Resolution**

McLeodUSA has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation, and resolving disputes concerning telephone calls that originate from an active, legitimate payphone and complete to the called party ("completed payphone calls"). The Company representative responsible for supervising and overseeing the administration of the process is:

NAME - Tami Spocogee  
TITLE - Senior Manager Network Cost Management  
ADDRESS - 15 E. 5 St. Suite 1900, Tulsa, OK 74103  
PHONE - 918 419-3350  
FAX - 918 419-3638  
EMAIL - [tami.spocogee@mcleodusa.com](mailto:tami.spocogee@mcleodusa.com)

**National Payphone Clearinghouse**

McLeodUSA utilizes National Payphone Clearinghouse (NPC) (<https://www.npc.cc>) to perform payphone compensation settlements. Certain assertions included in this report depend in whole or in part upon NPC performance. In order to support the assertions in this Representation, NPC has provided McLeodUSA with an independent third-party audit report to verify that effective controls and procedures required for compliance with 47 C.F.R. Section 64.1310 *et seq.* have been established, implemented and maintained by NPC. McLeodUSA has not conducted an independent evaluation of NPC and makes these assertions based on the third-party audit report of NPC.

McLeodUSA represents the following facts regarding its role as the Completing Carrier<sup>1</sup>. These facts are in fulfillment of the obligation of McLeodUSA as described at 47 C.F.R. Section 64.1320(c) :

**A. McLeodUSA's procedures accurately track calls to completion:**

McLeodUSA utilizes the NPC payphone Automatic Number Identification (ANI) list that is sent to the Company on a quarterly basis to identify compensable payphone ANIs. The payphone FLEX ANI digits of 27, 29, or 70, should be included with each completed payphone call record; however, due to originating local exchange carrier switch inconsistencies, the data is captured but not utilized in order to determine compensation.

Since McLeodUSA uses NPC, in order for the Payphone Service Provider (PSP) to be compensated, it is the responsibility of the PSP to ensure its ANIs are reported to NPC. As long as the ANIs are valid and reported to NPC, compensation will occur for completed payphone calls from such ANIs. According to the third-party audit of NPC, the ANI's are validated to ensure accuracy and compliance with federal regulations.

If a call is completed with a payphone FLEX ANI digit on the call record but the originating ANI is not on the NPC payphone ANI list, the call is stored in the 18-month retro file. If the PSP reports to NPC the ANI within the 18-month timeframe, and such ANI is accurate and compliant, compensation will occur.

McLeodUSA's procedures for identifying PSPs are complete and accurate, subject to provision of the relevant information by NPC, the completeness, compliance and accuracy of which the third-party audit report of NPC processes verified.

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<sup>1</sup> As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

**B. McLeodUSA has identified persons responsible for tracking, compensating and resolving disputes concerning completed payphone calls:**

1. McLeodUSA has identified personnel responsible for the development and maintainance of the business requirements associated with call tracking, payphone compensation, and resolving disputes concerning completed payphone calls.
2. McLeodUSA has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
3. McLeodUSA has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
4. McLeodUSA has identified personnel who are responsible for developing compensation tracking reports.
5. McLeodUSA has identified personnel who are responsible for payphone compensation dispute resolution.
6. McLeodUSA has identified personnel responsible for managing coordination with the payphone clearinghouse service provider National Payphone Clearinghouse.

**C. McLeodUSA has effective data monitoring procedures:**

1. McLeodUSA stores records associated with payphone calls on a daily basis.
2. McLeodUSA has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed and completed.
3. McLeodUSA performs data monitoring procedures on call record volumes entering the payphone compensation systems.
4. McLeodUSA has the ability to investigate and resolve PSP disputes.
5. McLeodUSA call records are maintained in an electronic warehouse for 18 months.

**D. McLeodUSA adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone tracking ability:**

1. McLeodUSA has effective and functioning security controls in place to control access to and monitor call tracking data.

2. McLeodUSA has effective and functioning controls in place to ensure network changes made will not impact the compensation of payphone compensable calls.
3. McLeodUSA has effective and functioning security controls in place to control access to and monitor the payment disbursement system.

**E. McLeodUSA creates a compensable payphone call file by matching call detail records against payphone identifiers:**

1. McLeodUSA utilizes switch data and database lookups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
2. A compensable call file for McLeodUSA is one originating at a payphone and completed by McLeodUSA to the called party.
3. McLeodUSA uses NPC payphone ANI lists to identify a compensable payphone call record, and NPC has verified such lists as confirmed by the third-party audit report of NPC.
4. McLeodUSA applies validation and control procedures to compile the compensable call file.
5. McLeodUSA uses a per call rate of \$.24 for compensating PSPs.

Excluded Payphone Calls

McLeodUSA has procedures and criteria used to identify incomplete or otherwise non-compensable calls:

McLeodUSA excludes calls for which answer supervision is not received.

McLeodUSA excludes calls for which compensation has already been paid to the PSP as established through the third-party audit report on the NPC procedures.

McLeodUSA excludes calls originating from an ANI that is not contained on the NPC clearinghouse ANI list.

McLeodUSA excludes 0+ calls originated by payphones and 0+ calls translated into an 8xx - access number.

Calls originated from a payphone where McLeodUSA has a written compensation agreement with the PSP.

**F. McLeodUSA has procedure to incorporate call data into required reports:**

1. McLeodUSA systems are able to generate the reports required on a quarterly basis as follows:
  - a) A list of the toll-free and access numbers dialed and completed from each PSP payphone ANI.
  - b) The volume of calls for each toll-free and access number completed by McLeodUSA to the called party.
  - c) The name, address, phone number, and CIC or routing trunk group of all facility based Interexchange Carriers that route calls to McLeodUSA (Intermedediate Carrier).
  - d) McLeodUSA maintains a valid list of payphone ANIs, as provided by NPC, for each reporting period.

**G. McLeodUSA has implemented procedures and controls needed to resolve payphone compensation disputes:**

1. McLeodUSA has the ability to investigate and resolve PSP disputes, which includes dispute databases, escalation procedures, and other data required to resolve disputes from the PSP.
2. McLeodUSA has designated personnel who are responsible for payphone compensation dispute resolution.
3. McLeodUSA has filed a statement that includes the name, address and phone number associated with the person responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes.

**H. McLeodUSA has contracted an independent third-party auditor to test critical controls and procedures to verify that errors are immaterial :**

1. McLeodUSA has procedures to identify payphone originated calls.
2. McLeodUSA has procedures to identify completed payphone calls.
3. McLeodUSA has procedures to accurately populate call record data in the Compensable Call File.
4. McLeodUSA has business rules to determine the payphone ANIs associated with payphone compensation.

**I. McLeodUSA has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to : (i) identify calls originated from payphones ; (ii) identify compensable payphone calls ; (iii) identify incomplete or otherwise non-compensable calls ; and (iv) determine the identities of the payphone service providers to which McLeodUSA owes compensation:**

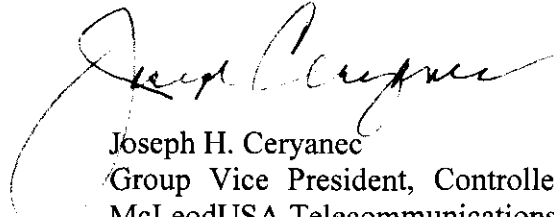
1. McLeodUSA has business rules that identify calls originated from payphones.
2. McLeodUSA has business rules that identify compensable payphone calls.
3. McLeodUSA has business rules that identify incomplete or otherwise non-compensable calls.
4. McLeodUSA has business rules to determine the identities of the PSPs to which McLeodUSA owes compensation.

**J. Required Disclosures pursuant to § 64.1320(d)**

McLeodUSA represents the following facts regarding its Long Distance Operations in its role as the Completing Carrier. These facts fulfill the obligations of McLeodUSA as specified in 47 C.F.R. Section 64.1320(d):

1. McLeodUSA criteria for identifying calls originated from payphones includes the use of the payphone ANI list provided by the NPC.
2. McLeodUSA criteria for identifying a completed payphone call is the supervisory signal received from the terminating local exchange provider, displayed by the answer indicator on the call detail record.
3. McLeodUSA criteria for identifying payphone calls where McLeodUSA has a written agreement with the PSP are excluded from the Compensable Call File.
4. McLeodUSA criteria used to determine the identities of the PSPs to which McLeodUSA owes compensation are established by NPC.
5. PSPs requiring compensation from McLeodUSA must file their payphone ANIs with NPC.
6. The type of information that McLeodUSA needs from the PSPs in order to compensate for completed payphone calls is determined by NPC.
7. McLeodUSA stores all required data for 18 months, including date and time of every call that could possibly result in a compensable call. This includes all completed toll free calls.

In summary, McLeodUSA has in place the appropriate procedures and tracking system to fully comply with the Commission's payphone compensation.

A handwritten signature in black ink, appearing to read "Joseph Ceryanec", is positioned above the printed name and title.

Joseph H. Ceryanec  
Group Vice President, Controller & Treasurer  
McLeodUSA Telecommunications Services, Inc.

July 30, 2004





Deloitte & Touche LLP  
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Suite 1600  
Dallas, TX 75201  
USA

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## INDEPENDENT ACCOUNTANTS' REPORT

To the Audit Committee of the Board of Directors  
McLeodUSA Telecommunications Services, Inc.  
Cedar Rapids, IA

We have examined management's assertion, included in the accompanying "Representation of Compliance with FCC Order Docket Number 96-128", that McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") complied with 47 C.F.R. Section 64.1310, as discussed in the Federal Communications Commission's (the "FCC") Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996* (the "Order"), as of July 1, 2004. Management is responsible for McLeodUSA's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about McLeodUSA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about McLeodUSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on McLeodUSA's compliance with specified requirements.

In our opinion, management's assertion that McLeodUSA complied with the aforementioned requirements as of July 1, 2004, is fairly stated, in all material respects, based on criteria set forth in Section 64.1320(c) of the FCC's Code of Federal Regulations and in management's assertion.

This report is intended solely for the information and use of the management of McLeod USA, the FCC, applicable facilities-based long distance carriers and applicable payphone service providers identified in Section 64.1320(b) and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

July 30, 2004